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THE Demand and Price SITUATION

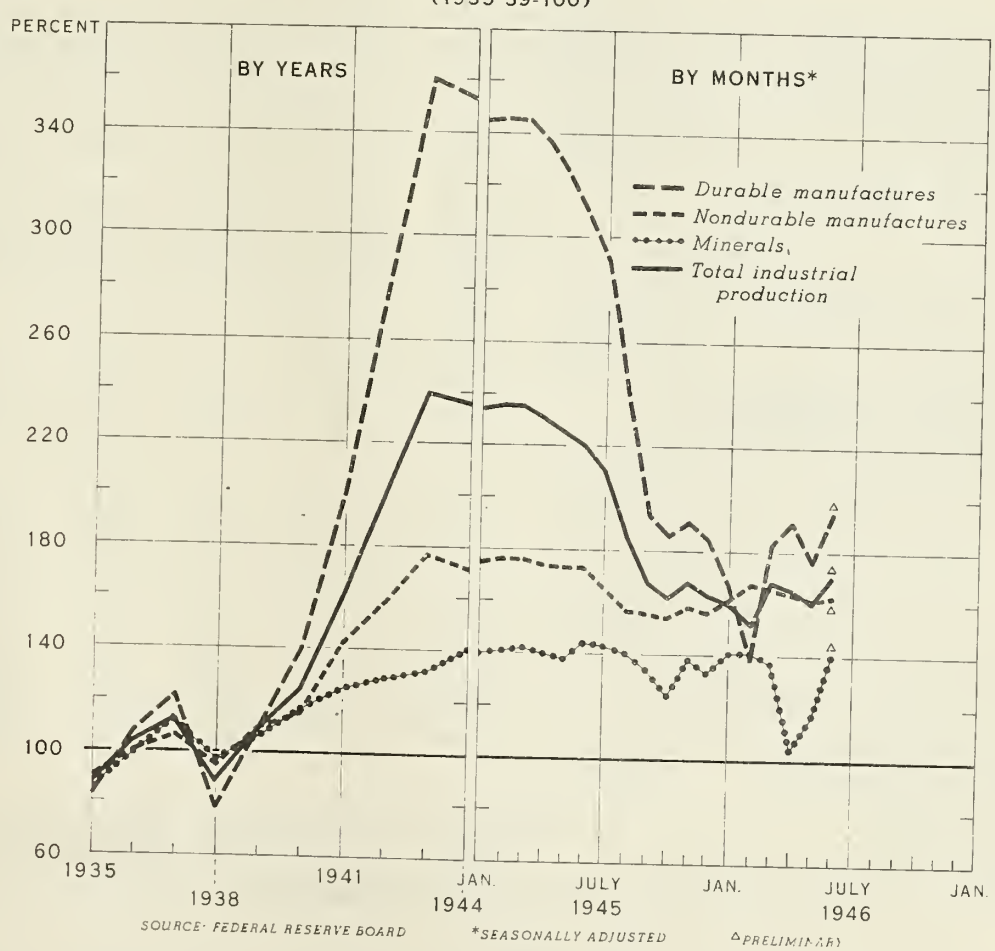
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.



JULY 1946

INDEX OF INDUSTRIAL PRODUCTION, BY YEARS, 1935-44
AND BY MONTHS, JAN. 1945 - JUNE 1946
(1935-39=100)



U. S. DEPARTMENT OF AGRICULTURE

NEG. 45-63 BUREAU OF AGRICULTURAL ECONOMICS

The demand for farm products strengthened as industrial production reached a new post war high in June, about 70 percent above the 1935-39 average. With the settlement of the recent bituminous coal strike, production of minerals regained its former level and production of iron, steel, and other durable goods, advanced sharply. Production of nondurables, such as textiles and manufactured food products, has been relatively stable.

The reconversion from war to peace is illustrated by the index of durable manufactures. During 1945 it declined by almost 50 percent. The steel strike caused a further sharp drop in February 1946. In view of the tremendous demand for automobiles and housing, durable manufactures are expected to advance substantially above the recent level, but will be considerably below the high level attained during the war.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1945		1946				
		Year	May	Feb.	Mar.	Apr.	May	
Industrial Production <u>1/</u>	1935-39							
Total	= 100	203	225	152	168	165	160	
All manufactures	"	214	240	154	173	176	168	
Durable goods	"	274	323	138	182	191	176	
Nondurable goods	"	166	173	167	166	163	161	
Minerals	"	137	138	141	137	104	116	
Construction activity <u>1/</u>	1935-39							
Contracts, total	= 100	118	101	237	256	296	315	
Contracts, residential	"	64	49	233	316	422	512	
Wholesale prices <u>2/</u>	1935-39							
All commodities	= 100	131	132	134	135	137	138	
All commodities except farm and food	"	123	122	125	126	127	128	
Farm products	"	169	171	172	176	178	181	
Food	"	134	135	136	138	140	141	
Prices received and paid by farmers <u>3/</u>	1910-14							
Prices received, all prod. ...	= 100	202	200	207	209	212	211	
Prices paid, int. and taxes ..	"	174	173	178	180	181	184	
Parity ratio	"	116	116	116	116	117	115	
Consumers' price <u>5/ 6/</u>	1935-39							
Total	= 100	128	128	130	130	131	132	
Food	"	139	139	140	140	142	143	
Nonfood	"	123	122	124	125	125	126	
Income	1935-39							
Nonagricultural payments <u>4/</u> ..	= 100	236	238	226	230	233	233	
Cash farm <u>3/</u>	"	283	293	305	285	276	315	
Income of Industrial Workers <u>3/</u> ..	"	286	312	218	239	243	243	
Factory payrolls <u>5/</u>	"	307	339	224	248	265	262	
Weekly earnings of factory workers <u>5/</u>	Dollars							
All manufacturing	"	44.41	46.02	40.58	42.16	42.92	42.67	
Durable goods	"	49.07	51.56	42.57	44.78	45.80	45.46	
Nondurable	"	38.30	38.18	39.01	39.84	40.11	39.91	
Employment								
Total civilian <u>7/</u>	Millions	51.6	51.3	51.7	53.0	54.6	55.3	
Employees in nonagri. est. <u>5/</u> ..	Thous.	36,981	37,679	35,374	36,281	36,928	37,435	
Farm <u>3/</u>	"	9,844	10,017	7,799	8,263	9,121	10,366	
Government finance (Federal) <u>8/</u> ..	Mil. dol.							
Receipts, net	"	3,837	3,085	3,678	5,747	2,677	2,733	
Expenditures	"	7,546	9,275	3,510	4,602	4,251	3,677	

Sources: 1/ Federal Reserve Board; converted to a 1935-39 base. 2/ U. S. Dept. of Labor, B. L. S. 3/ U. S. Dept. of Agriculture, B.A.E. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .73125 respectively. 4/ U. S. Dept. of Commerce. 5/ U. S. Dept. of Labor, B.L.S. 6/ Consumers' price index for moderate-income families in large cities. 7/ U.S. Dept. of Commerce, Bureau of Census. 8/ U. S. Dept. of Treasury. Data for 1944 are on average monthly basis.

THE DEMAND AND PRICE SITUATION

Approved by Outlook and Situation Board - July 22, 1946

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DEMAND FOR FARM PRODUCTS

Demand for farm products continues at very high levels as domestic activity increases. Since the settlement in May of the major labor disputes, industrial output has advanced to a new postwar high. Employment and wage rates are at all-time highs and the flow of income to individuals is currently only slightly smaller than that of a year ago. Income payments in the last half of this year will probably exceed substantially payments in the last half of 1945 when an annual rate of 158 billion dollars was attained.

Industrial output recovered rapidly in June from the restricted level of production in May. The effects of recent strikes are being quickly dissipated and further substantial gains in production are in prospect. The Federal Reserve Board index of industrial production advanced from 160 in May to about 170 in June (1935-39 = 100), compared with the previous postwar peaks of 168 recorded in November 1945 and March of this year. In June 1945 the index was 220, of which war production represented more than half. The increase in industrial production from May to June was largely attributable to resumption of

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full-scale production of iron and steel, and bituminous coal. Steel production, which had been reduced to 44 percent of capacity by the end of May, had risen to 87 percent by the last week in June. Bituminous coal production in the first week of June was comparable to the large output preceding the soft coal strike. Production of automobiles and trucks at the end of June was almost up to the previous postwar high recorded in early May. Production of nondurable goods was maintained at high levels and made only a slight increase from May to June.

Income payments to individuals expanded during May to an annual rate of 161 billion dollars compared with the revised estimate of 159 billion dollars in April and 162 billion dollars in May, 1945. For the first 5 months of 1946, income payments have averaged only 3 percent below the corresponding period in 1945 when the wartime peak in income payments was reached. In May, payments were 135 percent above the 1935-39 annual average. Losses in labor income incurred by work stoppages have been more than offset by increasing employment and higher wage rates. Since January, nonagricultural employment has increased by approximately 2 million persons. Average hourly earnings in factories of \$1.07 in May, compared with \$1.00 in January, were the highest on record, exceeding the wartime peak of \$1.05 reached in January 1945 which reflected a considerable amount of premium payments for overtime as well as heavy employment in the higher paid war industries. However, weekly take-home pay per factory worker in May was 10 percent less than in January 1945 as a result of the reduction in hours worked. Income payments in June were probably slightly above the May estimate as many workers returned to their jobs following settlement of labor disputes.

The boom in retail sales which began last fall shows no indication of slackening. Retail store sales in the first 5 months of this year were valued 26 percent more than in the comparable period in 1945 and 139 percent more than

the 1935-39 average. In May, the value of retail store sales was 28 percent above May 1945. In terms of quantities of goods sold, retail sales in May were 23 percent above a year ago and 63 percent above the 1935-39 average.

Strong foreign demand for American farm products raised both the value and volume of United States agricultural exports in the first quarter of 1946 to the highest levels in 25 years. Total agricultural exports January to March of this year valued, at nearly 790 million dollars, were more than 4 times the average quarterly values from 1935 to 1939. The index of the quantity of exports (1924-29 = 100) was 125 compared with 58 in the five prewar years. Of the total value of agricultural exports less than 20 percent was lend-lease 1/ and, about 30 percent was UNRRA in the first quarter of 1946.

All important classes of agricultural exports showed a substantial increase in value over prewar levels with the largest increases occurring in the important food products, particularly wheat and flour, meat products, rice, condensed and evaporated milk, cheese, and dried eggs. Among the various commodities, the share of commercial exports in the total varied from 100 percent as in the case of tobacco, to as little as 7 percent for dried eggs, and 9 percent for meat products. Wheat and flour exports valued at 17 times the level of 1935-39 were the most important agricultural export during the first quarter of this year with UNRRA shipments accounting for about a third of the total.

On July 15, the President signed the bill allowing 3,750 million dollars of credit to Great Britain. This loan should operate to strengthen the foreign demand for United States farm products.

1/ Export goods contracted for prior to termination of lend-lease are still classified as lend-lease exports. However, such exports are either being paid for in cash or are being financed by Export-Import Bank loans.

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THE LABOR FORCE

Both the civilian labor force and employment increased substantially from May to June but the increase was largely seasonal. According to the Census report covering the week of June 2-8, the civilian labor force increased from 57,630,000 in early May to 59,300,000 in the first week of June, reflecting the entrance of students and other seasonal workers, and also some World War II veterans into the labor force. During the same period, the gain in employment from 55,320,000 to 56,740,000 represented a seasonal increase of 1,100,000 in agricultural employment and 320,000 in nonagricultural employment. The increase in unemployment from 2,310,000 to 2,560,000 was largely accounted for by an increase of about 200,000 persons of school-age looking for work.

In early June, the armed forces totaled approximately 3 million with the recent net rate of reduction about 400,000 per month. Not all veterans enter the labor force. Many are returning to school. Of about one and a half million veterans outside the civilian labor force in June, it is estimated that about half will seek employment in the near future.

COMMODITY PRICES

The lapse of price controls on July 1 accelerated the advance in the general price level which has been underway since the beginning of the year. During the last month of price controls, wholesale prices advanced about $1\frac{1}{2}$ percent, double the rate in May. From January to June, wholesale prices rose approximately 5 percent. During the first two weeks of July the Bureau of Labor Statistics weekly index of wholesale prices advanced 7 percent, with foods up 18 percent and farm products up 10 percent. As of July 22, legislation to recontrol prices was receiving Congressional consideration. With the lapse of price controls, the prices of most farm products on which subsidy payments had been made, adjusted promptly to cover the loss in subsidy. Within a few days after lapse of controls, market prices of farm commodities which were in exceptionally short supply, such as grains and livestock, made marked advances ranging from 12 percent for wheat to almost 50 percent for corn, market supplies of which were very meager. The Bureau of Labor Statistics daily index of spot market prices of basic domestic agricultural commodities (including wheat, barley, corn, hogs, steers, wool tops and cotton) advanced 21 percent from the end of June to July 19th. Markets are likely to remain confused and prices erratic for the next few weeks, in some instances, there may be reaction from high prices reached during this period. For some groups

of agricultural products in which supplies are relatively large, lapse of price controls had little immediate effect on prices. Nor was there much effect on many fruits and vegetables from which ceilings had been removed prior to July 1. The movement of market prices of agricultural commodities in early July, indicated that the general level of prices received by farmers as of July 15, 1946 was somewhat higher than the previous record of 235 (1909-14 = 100) reached in May, 1920. From May 15 to June 15, 1946, the index of prices received by farmers advanced from 211 to 218 as prices of most farm products rose, with cotton and dairy products leading. The June level was 104 percent above the 1935-39 average, and 6 percent above June 15, 1945.

Prices paid by farmers also advanced substantially from June 15 to July 15, principally due to the advances in foods and feeds which represent almost one-third of the total index. In general, prices of nonfarm commodities did not advance as sharply as agricultural commodities in early July. Wholesale prices of products other than farm and food advanced only slightly more than 1 percent in the first two weeks of July. Pending the outcome of legislation to reimpose price controls, many establishments tended to maintain prices near the previous levels. However, substantial increases in prices of nonfarm products are in prospect. During the three months prior to the removal of price controls, the index of prices paid by farmers for commodities (excluding interest and taxes) averaged a 3-point increase per month and on June 15 was 195 (1910-14 = 100) compared with 180 on June 15, 1945. The June 1946 level was 56 percent above the 1935-39 average. The index as of July 15, 1946 was near the average level of 201 in 1920. (Monthly data not available prior to 1923).

Prices paid by farmers including interest and taxes advanced from 184 on May 15 (1910-14 = 100), to 187 on June 15, compared with 173 a year ago. In June this index was 46 percent above the 1935-39 level. As a result of the greater advance in prices of farm products from May to June compared with the rise in prices paid by farmers including interest and taxes, the parity ratio advanced from 115 in May to 117 in June compared with 119 in June 1945 and 84 in 1935-39. A further advance in the parity ratio occurred in July.

The Bureau of Labor Statistics index of wholesale prices in May 1946 (the latest monthly estimate available) was 111 (1926 = 100) compared with 110 in April and 106 in May 1945. The index in May 1946 was 38 percent above the 1935-39 average.

FARM INCOME

Cash receipts from farm marketings during the first 6 months of 1946 were about 3 percent below the revised total of 8,900 million dollars received in the same period last year. They were a little less than had previously been expected because of an abnormal decline in marketings of meat animals during June.

The first-half total for livestock and products was about 5 percent below last year, due mostly to a decline in the volume of meat animals marketed substantial enough to more than offset prices averaging a little higher.

The first-half total for crop receipts was slightly higher than last year, with increases for food grains, oil-bearing crops, and vegetables offsetting declines for most other crop groups. Increased prices, especially in the last two

months, and added premiums for wheat were significant factors in the increase in receipts from food grains. Larger quantities of soybeans, flaxseed, and truck crops were sold at prices averaging about the same as last year.

Cash receipts in May totaled about 1,550 million dollars, nearly 10 percent above April and about 6 percent more than a year earlier. Because of a drop in receipts from meat animals, total receipts from livestock and products showed less than the usual seasonal increase, and were slightly below last year. On the other hand, crop receipts, largely because of increases for grains, were nearly 30 percent higher than in May 1945, and approximately the same percentage above April of this year. This was considerably more than the usual seasonal increase.

Instead of the small increase usually recorded in June, total receipts were probably about 10 percent less than in May. Marketings of meat animals were severely curtailed in June, especially in the latter part of the month. Grain receipts were also down from their high level in May.

Limited information on prices and the volume of marketings in early July indicate that total cash receipts will show an increase of as much as one-third over the June level. The increase from June to July last year was 11 percent.

LIVESTOCK AND MEATS

Meat animal prices, after increasing for several months, rose sharply as price control lapsed July 1. Prices of slaughter cattle at Chicago rose 6 to 24 percent, depending on grade, by the second week of July, with some choice steers reaching the record top of \$23.25 compared with the \$18.00 ceiling in effect in June. Prices of top cattle moved to higher levels in the third week of July. The spread in prices between higher and lower grades of meat animals widened, with a return to a more nearly normal relationship between prices of different grades and weights of animals.

The average price of all beef steers sold at Chicago for slaughter, in the second week of July, was 15 percent higher than two weeks earlier. Prices of feeder and stocker steers and heifers advanced only slightly. Hog prices rose from an average of \$14.74 during the last week of June to \$16.71 during the second week of July, an increase of 13 percent. Further advances were recorded in the third week of July. Prices of spring lambs rose about 21 percent in the first two weeks in July.

The suspension of price control on meat and of subsidies to slaughterers of cattle, calves, and hogs July 1 was accompanied by a greater rise in prices of meat than in prices of live animals. Part of the rise in wholesale prices of beef, veal, and pork went to compensate packers for withdrawals of subsidies. Under the roll-back program, packers had been able to sell meat at wholesale at lower prices than would have been possible without subsidies. Subsidies paid to slaughterers in June were equivalent to about 14 percent of the price received by farmers for the meat animals covered--7 percent for calves, 12 percent for hogs, and 16 percent for cattle.

Wholesale prices of steer carcasses at Chicago in the second week of July were quoted at prices ranging from 13 to 108 percent above the June 30 ceilings. Prices of major pork cuts rose 7 to 72 percent. These wide ranges reflected the uncertainties then present in the minds of both slaughterers and distributors.

Retail prices of meat, if not controlled, are likely to reach a peak during the summer when production of meat will be at a seasonal low. As meat production increases seasonally this fall and early winter, meat prices may decline but probably will remain considerably above the levels reported in June. Prices of meat animals also are likely to remain above June levels if there are no ceilings on prices of meats or meat animals.

Marketings of hogs and cattle declined materially in June as producers awaited the outcome of legislative action on price control. But marketings increased substantially in July and production of meat for the year as a whole may be around 22.6 billion pounds (wholesale meat basis) compared with 22.9 billion in 1945 and 24.7 billion, the record high in 1944.

The 1946 spring pig crop, estimated at 52.3 million head, was 1.5 percent greater than the 1945 spring crop. Farmers indicated on June 1 that they intended to breed 4.6 million sows for fall farrow this year, 16 percent fewer than a year earlier. This number would be 9 percent below the 1935-44 average and the smallest since 1938.

DAIRY PRODUCTS

Butter prices led the advances among dairy products following the lapse of price controls at the end of June. On July 12, the price of 92-score butter at New York was 74 cents per pound compared with 57 cents per pound at the end of June and 47 cents in mid-June before ceilings were increased. On July 9, some prices of evaporated milk increased 65 cents per case or about 14 percent. Increases in prices for cheese also occurred but were less pronounced than for butter. Prices of milk for direct consumer use increased substantially in eastern markets and in the Far West. In the Midwestern fluid milk markets, where different pricing formulas are used, the increases were moderate.

Unit returns to farmers in the remainder of 1946 are practically certain to average higher than a year earlier. On the supposition that effective price controls would be continued, a basis for higher returns was established during June with upward adjustments in ceilings on fluid milk and on several manufactured products. Without such controls, dairy products prices would advance enough to somewhat more than compensate for the loss of dairy production payments which in the second half of 1945 were equivalent to 18 percent of the price received for milk at wholesale and 30 percent of the price for butterfat.

The effects of the short concentrate feed supply on milk production was offset by excellent pasture conditions to July 1. As a result, farmers were enabled to maintain a record flow of milk per cow. In the first six months of 1946, milk output totaled 62,240 million pounds, compared with 63,513 million pounds a year earlier, a reduction of 2 percent. The number of milk cows on farms was less than a year earlier. Most factors are favorable for a continued near-record flow of milk in the balance of 1946. However, output will decline seasonally until late fall.

POULTRY AND EGGS

Expiration of price controls on poultry products July 1 was followed by a sharp upward movement of about 20 percent in wholesale chicken prices but little change in egg and turkey prices. By late July wholesale chicken prices had receded to the June level. Chicken and turkey prices will probably be at least as high as last year's levels during the remainder of 1946. In contrast, larger meat supplies than a year ago and near-record egg supplies per person will tend to keep egg prices from rising much more than seasonally during the summer and fall of this year and prices will probably remain below last year's levels.

Markings of all poultry products will be smaller in the second half of 1946 than in the second half of 1945. But reduction in Army procurement and large cold-storage holdings of eggs, chickens and turkeys will leave at least as many eggs available for civilians in the second half of 1946 as in the second half of 1945, about as much turkey, and slightly less chicken.

The number of chicks and young chickens on farms July 1, 1946 totaled 560 million, 15 percent below July 1, 1945. On the basis of past relationships, this would result in a reduction of 6 to 10 percent in number of hens and pullets on farms January 1, 1947 compared with January 1, 1946. High chicken meat prices would accentuate this reduction. But excellent feed crops may temper the decline. With a 6-percent reduction in laying flocks in 1947 compared with 1946, little change in rate of lay, some reduction in noncivilian uses, and assuming that there will be no exports, there would be almost 385 eggs per person available in 1947. A 10-percent reduction in output would result in the availability of nearly 370 eggs per person. For 1946, egg consumption will be 370 to 380 eggs per person, second only to the record consumption of 390 eggs per person in 1945.

FATS, OILS, AND OILSEEDS

The lapse of price ceilings at the end of June was followed in the first half of July by increases of 2 to 9 cents per pound (15 to 64 percent) in prices of leading fats and oils and up to \$30 per ton (approximately 50 percent) in prices of oilseed meals. Flaxseed prices at Minneapolis advanced to \$3.75 per bushel for No. 1 seed, 40 cents per bushel over the ceiling on June 30 and 15 cents per bushel over the support price announced for the 1946 crop. With no open-market trading in soybeans or cottonseed, there were no quotations on these oilseeds. Prices for shelled peanuts remained at ceiling levels.

Continued absence of price ceilings would tend to increase imports, decrease exports, and moderately expand production of fats and oils in the United States in the balance of 1946. Prices asked for Argentine flaxseed and Chinese tung oil have been a major obstacle to increased imports of these items. If the July 1 suspension of "set-asides" for lard and pork is continued, exports of fat-backs will be curtailed and more fat-backs will be rendered for lard. This, together with the curtailment of Government procurement of lard for export, probably will increase the supply of lard for consumption in the United States.

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On the basis of planted acreage of oilseeds, the total acreage of cottonseed, peanuts, soybeans and flaxseed to be harvested in 1946 may be 33 million acres, 6 percent less than last year. Reductions indicated in harvested acreages are 3 percent for peanuts, 13 percent for soybeans, and 37 percent for flaxseed. A 4-percent increase in the acreage of cotton for harvest is indicated.

Production of fats and oils from domestic materials will be smaller in 1947 than 1946. A substantial decline in vegetable oil output is likely in the first 9 months of 1946, reflecting the reduced acreages of soybeans and flaxseed this year. Production of animal fats (excluding butter) may decline 300 to 400 million pounds in 1947, partly as a result of a reduction in the 1946 fall pig crop, forecast on the basis of farmers' plans June 1 at 17 percent less than a year earlier.

CORN AND OTHER FEED

The tight feed situation, which has plagued livestock producers and grain processors for several months, apparently had passed its most severe stage by early July with new-crop oats, barley, and wheat beginning to become available, with abundant green feed in most sections, and with some easing in the number of livestock to be fed. However, restrictions still in force on the purchase and use of feed continued to limit output of commercial mixed feeds and some byproduct feeds. With prospects for seasonally large marketings of new-crop grain during the next few months, the tight feed supply situation is expected to ease materially.

Demand for feed grain, particularly corn, for food and industrial purposes and for export continues strong at higher prices than prevailed prior to July 1. Utilization of feed grains for those purposes during 1946-47 probably will exceed the 1945-46 use -- by a fairly wide margin, if governmental restrictions are removed.

Following lapse of price controls on July 1, prices of many feeds advanced very sharply. By the second week in July corn prices had advanced nearly 50 percent, oats prices 15 to 20 percent, and barley prices about 15 to 25 percent. Prices of a number of important kinds of byproduct feeds had advanced 40 to 50 percent.

Crop conditions on July 1 point to a record large total production of feed grain this year. The largest corn crop of record and the second largest oats crop was indicated. Barley production, however, was indicated to be 13 percent smaller than a year ago and the smallest since 1937. The combined carry-over stocks of old-crop corn, oats, and barley on farms and at terminal markets this year also will be the smallest since 1937.

Total supplies of the four principal feed grains--corn, oats, barley, and sorghum grains--including carry-over plus new production, will be about 6 percent larger than a year ago, on the basis of July 15 indications. With livestock numbers decreasing, the 1946-47 supply of feed grains per animal unit would be about 10 to 12 percent larger than the 1945-46 supply. Such favorable prospects for feed grain indicate that supplies will be ample for the livestock to be fed during the coming year.

Supplies of byproduct feeds, particularly high-protein feeds, probably will be smaller in total during 1946-47 than in 1945-46, but the supply per animal unit on farms may be about as large as in 1945-46. Hay supplies this year, while smaller in total tonnage than a year ago, are indicated to be only slightly smaller per animal unit than the large supply available a year ago.

WHEAT

With the increase in the wheat crop indicated as of July 15, prices are expected to decline from the levels attained following the lapse of the OPA on June 30. Because of the record wheat crop, and the advance in prices, farm sales increased greatly and available cars were inadequate to move the large volume with the result that a number of elevators were closed and more than the usual quantity of wheat was piled in the open. To avoid serious losses of wheat thus exposed to the weather boxcars were promptly diverted from the East, and the situation is reported now to be greatly improved. Set-aside provisions were suspended by the CCC when ceilings were abandoned.

The carry-over in all positions of old wheat on July 1 is somewhat above early estimates, because large exportable supplies had not cleared United States ports by July 1. A new record wheat crop of 1,132 million bushels was indicated as of July 15, nine million bushels greater than 1945, and 42 million bushels above the indication as of July 1. This large crop outlook greatly eases the wheat situation. However, in view of the world food situation, no decision as to the removal of wheat controls will be made only after more definite indications are available on needs of importing countries, the crop in other exporting countries, and the outcome of our own corn crop. Accordingly, the tentative estimates of distribution, issued by the Secretary of Agriculture May 14, even though based on a billion-bushel crop at the time, are still being considered, except that exports, if necessary, and carry-over would be larger. These estimates, in million bushels, were: Food 450, feed 150, seed 85, and exports 250.

A national wheat goal of 71.7 million seeded acres for the production of the 1947 wheat crop was announced June 28. This would be the largest acreage since 1938. The 1947 goal compares with 71.1 million acres seeded for the 1946 crop, and with 68.8 million acres for the 1945 crop. It is based on estimated requirements during 1947-48 for food, feed, seed, exports, and carry-over.

World wheat production, excluding the U.S.S.R. and China, in 1946 is expected to be about 8 to 10 percent above 1945, and about equal to the 1935-39 average. Prospects are for a European crop considerably above a year earlier but still below average. The Canadian crop is expected to be very considerably larger than 306 million bushels produced in 1945. On the basis of early prospects of their harvests which take place in December, the crops in Argentina and Australia are expected to exceed those in 1945, when they were below average. Even though production prospects are indicated to be better than last year, world wheat imports are expected to continue large through 1946-47.

FRUIT

Prices for fruit this summer are expected to be near the high levels of a year earlier, with supplies of deciduous fruits moderately larger and those of citrus somewhat smaller.

Prices for some fruits, notably apples, pears, and grapes, probably will decline until fall as supplies increase seasonally. Peaches opened the season at or near ceiling prices, but have subsequently declined with increasing shipments. Some further declines appear probable in July and August during the period of heavy shipments from this year's record-large crop.

Lemons advanced substantially in price as demand was stimulated by summer weather, and are expected to sell at these higher prices during most of the summer. California Valencia oranges, which are predominantly small in size this summer as last, probably will bring prices slightly higher than last summer, mainly because supplies are one-third smaller.

Considerably more emphasis is being given to size and quality in pricing fruit this season than last, as is indicated by widening differentials for different sizes and quality. This is an outgrowth of the generally more plentiful supplies of fruits and melons and the generally freer markets.

COMMERCIAL TRUCK CROPS

For Fresh Market

Abundant supplies of fresh vegetables are available this summer at prices substantially lower than last year. Total commercial truck crop production for fresh market shipment in July, August, and September is at a new record-high level, about 14 percent larger than last summer and 29 percent above the 1935-44 average. Production will be below both last year and average only for lima beans, cabbage, sweet corn, and green peas. Market prices for nearly every truck crop had declined below ceiling levels before July 1 and have continued to decline seasonally since then. Truck crops in June were selling at prices more than 30 percent below those of a year earlier.

For Processing

This will be the fifth successive year in which the commercial acreage of 11 important truck crops grown for processing has been near 2 million acres. Aggregate acreage planted this year may exceed last year by 5 percent. Production of green peas for processing will be only slightly smaller than last year's high. Acreage planted to crops for processing this year are at or near record-high levels for green peas, lima beans, cucumbers for pickles, sweet corn, and tomatoes. Prices to growers, which to a considerable extent have already been set through production contracts with processors, in general are expected to average as high this season as last.

POTATOES AND SWEETPOTATOES

Prices to growers for potatoes probably will stay close to support levels throughout the 1946-crop season, if production prospects materialize as now indicated. Prospective production for 1946 is placed at nearly 432 million bushels, which would be 1.5 percent larger than last year's crop and second only to the 465 million bushels harvested in 1943. With the help of record-large purchase and diversion operations by the Government, most of the record-breaking commercial early crop of more than 78 million bushels has been cleared out of the way. Total production in the intermediate States is expected to be nearly one-tenth larger, and in the 18 surplus late States, only 4 percent below last year.

Prices received by growers for sweetpotatoes probably will average slightly higher than last year's high prices for the entire season, but are expected to follow seasonal trends, rising through August and declining rapidly in September, October, and November.

Prospects in Louisiana, the State that has furnished more than half of the total carlot shipments by rail or boat for the past 2 years, are for a crop only slightly smaller than last year, but due to delayed plantings, the heavy volume of shipments will be somewhat later than usual. The United States crop of sweetpotatoes is indicated to be about 2 percent smaller than last year's near-average crop.

DRY EDIBLE BEANS AND PEAS

Prices that growers will receive for 1946-crop dry edible beans and dry smooth peas will be supported by the Department of Agriculture through programs similar to those for the 1945 crops. For dry beans the support prices for different varieties average slightly higher than for the 1945 crop, but for dry peas the prices are the same. The prospective 1946 crops are each about one-eighth larger than the 1945 crops.

COTTON

Cotton prices strengthened considerably this last month. Between June 1 and June 30 the price of Middling 15/16-inch cotton at the ten spot markets advanced 289 points and by July 18 advanced another 461 points to 35.58 cents per pound. The strength was due to relaxation of price control and re-appraisals of the world cotton situation indicating that domestic and foreign supplies of cotton are not as excessive as they appeared to be six months ago. The official crop report of July 8 indicated a 1946 United States cotton acreage in cultivation July 1 of 18.3 million acres, 1.0 to 1.5 million acres less than anticipated in trade reports released earlier. Production from the reported acreage, at average yields, plus the anticipated domestic carry-over on August 1, 1946, and imports, would place domestic supplies of cotton this next season at the lowest level since 1929.

Recent increases in the parity price of cotton will raise the level of CCC loans on the 1946 crop to above 21.00 cents which compares with the mid-June price received by farmers of 25.98 cents per pound.

The advance, during the past 6 months, of Brazilian cotton prices relative to United States prices, reflects improved prospects for cotton consumption in foreign countries. Prospective world consumption of cotton and/or rayon will run well over 30 million bales next year. During the 1946 crop year, world cotton and rayon production combined will probably not total more than 27 million bales. World production capacity for these two fibers in the prewar period exceeded 40 million bales.

WOOL

Spot wool prices at Boston were practically unchanged for the first week following the lapse of price ceilings. On many wool apparel items, demand will continue to be exceedingly large for another year unless prices rise materially. According to the Civilian Production Administration estimates, the maximum production of the men's suit industry during 1946 will be about one-sixth larger than in 1939. This will meet only the most essential requirements.

Mill consumption of apparel wool expressed as an annual rate was about 1.1 billion pounds, grease basis, during May. Unless the rate for the remainder of the year drops considerably below recent levels, annual consumption will be close to a billion pounds, the highest in any non-war year. This large mill requirement may result in some reduction in private stocks of foreign wools held in this country and also in increased purchases of domestic wools, since wool imports have declined recently.

The outlook is for larger sales of domestic wools for the remainder of this year and possibly next spring. However, it is doubtful if stocks of domestic wool held by CCC will decline much, and they may even increase.

TOBACCO

The 1945 crop of Maryland tobacco is the only type being marketed in volume currently. Through July 2 two-fifths of the 1945 Maryland crop or 8.9 million pounds were sold with auction prices averaging 57.22 cents per pound, about 2.4 cents above the first six weeks of sales a year earlier.

The July 10 crop report indicates that the 1946 crop of tobacco will exceed 2 billion pounds for the first time on record. In general high incomes and accumulated savings plus large foreign needs indicate a demand as strong as in the 1945-46 season despite the reduction in military takings. The situation will differ among types of tobacco. Burley prices broke last season and the indicated 1946 crop is 6.0 percent below the 1945 crop. Flue-cured prices were good last year but below those in the preceding year. With demand virtually unchanged the indicated 1946 crop of flue-cured is 8.6 percent larger than the 1945 crop. Maryland prices though weak at the opening of the 1945 marketing season strengthened very considerably as the season progressed and the 1946 indicated crop of Maryland exceeds the 1945 crop by 81.4 percent. Fire-cured prices were increasingly strong last year and this year's indicated crop exceeds last year's by 46 percent. On the other hand, dark air-cured prices were also strong last year, but this year's indicated crop exceeds last year's by only 1.5 percent. After the lapse of price controls on the 1945 crop of cigar wrapper last November, prices advanced very sharply, indicated a strong demand for this year's crop of wrapper which is 6.8 percent larger than last year's. Prices of both filler and binder types strengthened last year and the indicated crop of the two types this year average 15.4 percent above last year's crop.

